

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION NO. W-4407
July 10, 2003

R E S O L U T I O N

(RES. W-4407), ARROWHEAD MANOR WATER COMPANY, INC. (AMWC). ORDER AUTHORIZING THE REINSTATEMENT OF THE RATES AND SAFE DRINKING WATER BOND ACT (SDWBA) SURCHARGE AMOUNTS AUTHORIZED IN DECISION (D.) 02-07-009 AND EXTEND THEIR EFFECTIVE DATES.

SUMMARY

By Advice Letter 52-W, filed May 14, 2003, AMWC seeks to reinstate the Safe Drinking Water Bond Act surcharge amounts authorized in D.02-07-009 and extend their effective date. This resolution approves that request.

BACKGROUND

Arrowhead is Class C water utility providing service to approximately 560 customers in the unincorporated community of Cedar Glen and vicinity, one mile southeast of Lake Arrowhead, San Bernardino County.

D.92178 authorized Arrowhead to enter into a specific contract with Department of Water Resources (DWR) to borrow SDWBA funds. Together, the decision and DWR contract required Arrowhead to establish and maintain a balancing account to track SDWBA surcharge revenues collected from customers and paid to DWR; to open a trust account with a financial institution that would serve as a fiscal agent to hold and disburse funds to DWR in repayment of the loan; and to make timely loan payments to DWR as called for in the contract. As a condition of establishing the SDWBA surcharge, the decision put Arrowhead on notice that it would be held responsible for refunding or applying on behalf of customers any surcharge revenues not applied to repaying the loan.

Arrowhead caused or allowed its fiscal services agreement and trust account to be terminated in 1995 without timely replacement.

On March 16, 2000, the Commission issued I.00-03-016 to examine allegations of SDWBA improprieties, noncompliance with Commission and California Department of Health Services (DHS) requirements, and failure to resolve customer complaints and inquiries. By D.02-07-009, dated July 17, 2002, the Commission reinstated the SDWBA loan surcharge to replace the surcharge previously discontinued.

D.02-07-009 Ordering Paragraph 3 states, in part,

“The general rate case increases and SDWBA loan surcharges authorized in this order shall expire automatically 45 days after each semi-annual California Department of Water Resources loan payments is due, if not extended. Arrowhead is authorized to submit an advice letter not sooner than the date the payment is actually made and not later than 30 days after the payment is due to reset the expiration clock for an additional six months (i.e., a new expiration date 45 days after the next semi-annual payment is due), after which the process shall be repeated for each subsequent payment due date until further order of the Commission...”

D.02-07-009 Ordering Paragraph 8 also states,

“The Commission’s General Counsel is directed to petition the Superior Court of San Bernardino County to appoint a receiver to assume possession of and operate Arrowhead’s water system in accordance with Public Utilities Code Section 855.”

On January 4, 2003, the Commission applied and moved for an order appointing a receiver to assume possession and operation of the AMWC.

On May 7, 2003, the Superior Court of the State of California of San Bernardino, issued an order appointing John W. Richardson as the receiver to assume possession and operation of AMWC.

DISCUSSION

The last loan payment due on January 1 but not later than January 31, 2003, represented all the monies collected from the SDWBA surcharge for the July through December, 2002 period. DWR received \$44,000 on January 23, 2003 leaving an unpaid balance of \$1,721.67. DWR received the \$1,721.67 balance on March 19, 2003.

Pursuant to D.02-07-009, AMWC is required to make its semi-annual payment to DWR in full by March 17 (January 31 plus 45 days) or current rates will expire. This means rates will revert back to what they were prior to D.02-07-009. A SDWBA surcharge was not included in the prior rates.

AMWC indicated that it could not make its semi-annual payment in full to DWR by January 31, 2003, because it was unable to collect enough money through the

DWR surcharge to cover the total amount due. This was due largely to the fact that the utility has lost a significant number of customers in the recent past and the delay in establishing the surcharge caused by AMWC appealing D.02-07-009. In view of this, the Division recommends that AMWC immediately file an advice letter requesting an increase in its current DWR surcharge to compensate for the loss of revenue caused by the loss of customers.

Ordering Paragraph 3 of D.02-07-009 states, in part:

“Arrowhead is authorized to submit an advice letter not sooner than the date the payment is actually made and not later than 30 days after the payment is due to reset the expiration clock for an additional six months ...”

As mentioned earlier, the full payment due date was March 17, 2003. Therefore, the advice letter submittal date authorized, as indicated above, was April 17, 2003. The utility filed the Advice Letter 52-W on May 14, 2003.

Although AMWC did not file the Advice Letter 52-W in time to reset the clock, the SDWBA surcharge collected is deposited into a trust account and that money is paid directly to the DWR from the California Bank & Trust. It is not deposited into the AMWC's account. Therefore, the Division recommends reinstating the

rates and SDWBA surcharge amounts authorized in D.02-07-009 and recommends extending their effective dates to August 15, 2003, which would allow the utility to collect sufficient surcharge money to make the next semi-annual payment to DWR.

FINDINGS

1. D.02-07-009 Ordering Paragraph 3 states, in part, “Arrowhead is authorized to submit an advice letter not sooner than the date the payment is actually made and not later than 30 days after the payment is due to reset the expiration clock for an additional six months...”.
2. AMWC was unable to pay the DWR semi-annual payment in full by January 31, 2003, because it was unable to collect enough money through the DWR surcharge to cover the entire amount due.
3. AMWC was unable to collect enough money through the DWR surcharge to pay its semi-annual DWR payment on time because it had lost a significant number of customers over the recent past.
4. Division recommends that AMWC immediately file an advice letter requesting an increase in its current DWR surcharge to compensate for the loss of revenue caused by the loss of customers.
5. Arrowhead Manor Water Company, Inc. filed an advice letter on May 14, 2003, which exceeds the Commission authorized filing date.
6. The Safe Drinking Water Bond Act surcharge collected is deposited into a trust account and that money is paid directly to the Department of Water Resources from the California Bank & Trust. It is not deposited into the AMWC’s account.
7. The Commission finds, after investigation by the Water Division, that reinstating the rates and Safe Drinking Water Bond Act surcharge amounts authorized in D.02-07-009 and to extend their effective dates to August 15, 2003, would allow the utility to collect sufficient surcharge money to make the next semi-annual payment to the Department of Water Resources.

THEREFORE IT IS ORDERED THAT:

1. Arrowhead Manor Water Company, Inc. is authorized to reinstate the Safe Drinking Water Bond Act surcharge amounts authorized in D.02-07-009 and extend their effective dates to August 15, 2003, allowing the utility to collect sufficient surcharge money to make the next semi-annual payment to Department of Water Resources.
2. Arrowhead Manor Water Company, Inc. is authorized to file an advice letter requesting an increase in its DWR surcharge of offset revenue lost due to the loss of customers.
3. Authority is granted under Public Utilities Code Section 454 for Arrowhead Manor Water Company to make effective the revised rate Schedules Nos. 1A, Annual Metered Service, No. 2RA, Annual Residential Flat Rate Service, and No. 4A, Private Fire Protection Service; attached to Advice Letter 52-W, and to cancel its presently effective rate schedules. The effective date of the revised rate schedules shall be five days after the date of this resolution.
4. This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on July 10, 2003; the following Commissioners voting favorably thereon:

WILLIAM AHERN
Executive Director

MICHAEL R. PEEVEY
President

CARL W. WOOD
LORETTA M. LYNCH
GEOFFREY F. BROWN
SUSAN P. KENNEDY
Commissioners